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SUBJECT: FATU COMMITTEE DELIBERATES ON NORTH KOREA POLICY,  
KORUS FTA AND TERROR LIST

11. (SBU) Summary: In the first parliamentary audit of the 18th National Assembly by the Foreign Affairs, Trade and Unification (FATU) Committee, the Grand National Party (GNP) and the Democratic Party (DP) butted heads over North Korea policy. The parties struggled to reconcile former President Roh Moo-hyun's October 4 Inter-Korean Summit Declaration and President Lee Myung-bak's North Korea policy. The FATU Committee concluded by denouncing the removal of North Korea from the U.S. list of states that sponsor terrorism, citing diplomatic failure on the part of South Korea. The annual audit is essentially political theater rather than action-oriented, but it does provide some insight into the parties' attitudes on key issues. The Ministry of Foreign Affairs and Trade (MOFAT) also submitted the KORUS FTA bill to the National Assembly during the audit. The legislation will first be reviewed in the FATU Committee before it goes to the plenary. Committee Chair Park Jin and other GNP lawmakers argued for an early ratification; the DP, while noting it did not object to the FTA, demanded stronger trade adjustment measures. End Summary.

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The Audit  
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12. (SBU) The FATU Committee is the most sought after committee membership in the National Assembly. In addition to many senior lawmakers, three party leaders are also committee members -- Chung Sye-kyun (DP), Lee Hoi-chang (Liberty Forward Party) and Moon Kook-hyun (Creative Korea Party) along with heavyweights from the GNP, Chung Mong-joon and Lee Sang-deuk. The FATU Committee scheduled audits of MOFAT on October 7 and 22 while those of the Ministry of Unification (MOU) were conducted on October 6 and 23. The current composition of the FATU Committee is 17 GNP members, 7 DP members, 3 Forward and Creation Alliance members, 1 Pro-Park Alliance member, and 1 independent.

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October 4 Inter-Korean Summit Declaration  
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13. (SBU) At the first audit of the MOU, the GNP and the DP repeated well-worn conservative versus progressive arguments about North Korea policy. Specifically, the parties clashed over the implementation of the October 4, 2007 Inter-Korean Summit Declaration -- which occurred as former President Roh Moo-hyun's term was winding down. The GNP, represented by Kwon Young-se and Yoon Sang-hyun, criticized former President

Roh for failing to get public support on a list of projects whose estimated cost, if they were to be implemented, would be upwards of 14 trillion won (USD 10 billion at current exchange rates). They reminded the Committee that North Korea was already in violation of both the June 15, 2000 Joint Declaration and the October 4, 2007 Declaration. The DP, on the other hand, blamed President Lee and his administration for not adhering to the provisions of the October 4 Declaration and for allowing politics to get in the way of a peaceful resolution to the North Korea problem. Representative Moon Kook-hyun of the Forward and Creation Alliance also supported the DP's position, saying that the United Nations passed a resolution supporting the declaration and it therefore had the approval of the international community. In a rare show of dissent, fourth-term GNP Representative and strong President Lee supporter Nam Kyung-pil said that Lee was culpable for the current impasse and that the Declaration was vital in restoring relations between the two Koreas.

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"Denuclearization, Opening 3000" Plan  
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14. (SBU) President Lee's initial North Korea policy entitled "Denuclearization, Opening 3000" -- for comprehensive denuclearization, opening and raising the North's GDP per capita to USD 3,000 -- received heavy criticism from both sides of the political spectrum. Led by DP Chair Chung Sye-kyun, the opposition called for the policy's immediate abolishment and said that the plan served only to provoke the North while jeopardizing inter-Korean relations. First-term

GNP lawmaker Hong Jung-wook also remarked that the goals of the plan were unattainable at best and that the administration needed to adopt a more practical approach. The "Denuclearization, Opening 3000" plan, after its lead-balloon reception in the North, has largely been replaced by Lee's later "mutual benefit and common prosperity" plan. In any case, President Lee still included the "Denuclearization, Opening 3000" plan as one of his 100 policy priorities at a cabinet meeting the next day.

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Terrorism List Removal  
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15. (SBU) Many of the lawmakers in the FATU Committee disapproved of the removal of North Korea from the U.S. list of states that sponsor terrorism. They declared that the removal was a diplomatic failure on the part of South Korea and denounced Foreign Minister Yu for approving the U.S. decision. Representatives Chung Mong-joon (GNP), Park Joo-sun (DP), and Lee Hoi-chang (Forward & Creation Alliance) said that the removal was only in the interests of the U.S. and North Korea, adding that it played to North Korea's tactic of "tongmi bongnam," or communicating with the U.S. while blocking South Korea. They lamented the unilateral act by the United States in light of the fact that it was South Korea who originally requested that the North be placed on the list after a DPRK bomb brought down Korean Air Lines (KAL) flight 858 in 1987.

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KORUS FTA  
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16. (SBU) At the October 7 audit of MOFAT, GNP lawmakers insisted on the immediate ratification of the KORUS FTA bill, citing concerns that the next U.S. president may demand a re-negotiation. Foreign Minister Yu Myung-hwan argued that Korea should ratify the FTA first, to help generate additional pressure on the United States to ratify the bill, and to forestall any efforts to re-negotiate the text. Representative Park Joo-sun, speaking on behalf of the DP, said that his party was not diametrically opposed to the bill but that common sense dictated that domestic industries should be given transitional support to cope with the

elimination of tariff protections. MOFAT submitted the bill to the National Assembly on October 8 and FATU Committee Chair Park Jin announced that he would work to pass the bill in the committee after the end of the national audit (end of October). He claimed that 87 percent of the lawmakers in the National Assembly supported the bill, quoting his own internal survey.

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Comment  
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17. (SBU) During the audits, both the Foreign and Unification Ministers continuously said it was wrong to blame the ROKG for the worsening of inter-Korean relations. The DPRK, they claimed, refused to accept repeated South Korean suggestions to resume inter-Korean talks. Based on the ROKG responses in the FATU committee audit hearings, the Lee Government seems unlikely to change its North Korea policy. Meanwhile, the future of the KORUS FTA in Korea's National Assembly looks rather promising: The President, government and ruling party leadership have repeatedly expressed their desire to pass the bill in this National Assembly. However, it remains unclear if GNP rank-and-file members share the party leadership's enthusiasm for prompt ratification, particularly if it looks like U.S. ratification could slip to 2010. End Comment.  
STEPHENS